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PARKSON 百盛

PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03368 & 05936)

INSIDE INFORMATION LITIGATION IN RELATION TO TENANCY

This announcement is made by Parkson Retail Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company announces that Parkson Retail Development Co., Ltd. (百盛商業發展有限公司) (an indirect wholly-owned subsidiary of the Company) (the “**Tenant**”) is involved in a litigation (the “**Litigation**”) with the landlord of the Premises (as defined in paragraph 1(c) below) (the “**Landlord**”). The Landlord is an independent third party.

In October 2014, the Tenant initiated legal proceedings at the People’s Court of the Western District of Beijing (the “**Court**”) requesting the Court to order the Landlord to perform the Head Tenancy Agreement (as defined in paragraph 1(c) below) and to pay all the costs in connection with the legal proceedings. In May 2015, the Landlord filed a counterclaim (the “**Counterclaim**”) against the Tenant requesting the Court to order the Tenant to, among other things, (i) vacate the Premises; and (ii) pay a fee for occupying the Premises during the period from 1 October 2014 up to the date on which the Tenant has vacated the Premises, such fee being RMB47,488,000 calculated up to 30 April 2015. Set out below are further details on the tenancy in respect of the Premises, the Litigation and the impact of the Litigation on the Group.

1. THE TENANCY IN RESPECT OF THE PREMISES AND RELEVANT INFORMATION

- (a) The Tenant is an indirect wholly-owned subsidiary of the Company established in the People’s Republic of China (the “**PRC**”) whose principal business is operation of department stores.
- (b) As at the date of this announcement, the Tenant operates a flagship store with a total area of approximately 86,000 square metres of which (i) approximately 25,000 square metres are situated at the China National Arts and Crafts Museum* (中國工藝美術館) at No. 101 of the Inner Street of Fuxing Men* (復興門內大街) in Beijing and (ii) the balance of approximately 61,000 square metres are situated in an adjacent building at the Inner Street of Fuxing Men in Beijing which is owned by the Group (the “**Self-owned Premises**”).

- (c) The part of the Tenant's department store situated at the China National Arts and Crafts Museum was leased from the Landlord under several tenancy agreements, one of which was entered into in October 1993 (the "**Head Tenancy Agreement**") in respect of an area of approximately 18,000 square metres (the "**Premises**") for a term of 30 years under which a tenancy renewal agreement will be entered into every five years.
- (d) Under the Head Tenancy Agreement as amended, the annual rental was RMB13,600,000 for the first five years and shall be adjusted by not more than 15% every five years with reference to the PRC price index.
- (e) The Tenant and the Landlord entered into a renewal agreement in accordance with the Head Tenancy Agreement in 1998 and 2003 respectively, each for a term of five years.
- (f) In 2005, the Tenant and the Landlord entered into a supplemental renewal agreement (the "**2005 Renewal Agreement**"), pursuant to which, among other things, it was provided that:
 - (i) the Tenant and the Landlord agreed that the term of the lease created under the agreement signed in 2003 would extend to 30 September 2014; and
 - (ii) after the expiry of the 2005 Renewal Agreement, the Landlord and the Tenant would renew the tenancy in accordance with the Head Tenancy Agreement.
- (g) The Landlord had not entered into renewal agreement with the Tenant to continue the tenancy after the expiry of the 2005 Renewal Agreement as provided under the 2005 Renewal Agreement. Instead, the Landlord gave notice to the Tenant in August and September 2014 demanding the Tenant to vacate the Premises and refused to accept the cheque of the Tenant for the payment of rental.

2. THE LITIGATION

- (a) In October 2014, the Tenant initiated legal proceedings at the Court requesting the Court to order that (i) the Landlord shall perform the Head Tenancy Agreement; (ii) the Tenant shall continue to occupy the Premises up to 30 September 2023; (iii) the annual rental in respect of the period from 1 October 2014 up to 30 September 2023 shall be RMB20,971,000; and (iv) the Landlord shall pay all the costs in connection with the legal proceedings.
- (b) In May 2015, the Landlord filed the Counterclaim alleging that (i) the tenancy between the Landlord and the Tenant had expired on 30 September 2014; (ii) the Landlord and the Tenant could not reach agreement in respect of the renewal of tenancy; and (iii) the Tenant refused to vacate the Premises despite the expiry of the tenancy on 30 September 2014. The Landlord requested the Court to order the Tenant to (A) vacate the Premises; (B) pay a fee for occupying the Premises during the period from 1 October 2014 up to the date on which the Tenant has vacated the Premises, such fee being RMB47,488,000 calculated up to 30 April 2015; and (C) pay all the costs in connection with the legal proceedings.

- (c) The Court had arranged for a meeting between the Tenant and the Landlord scheduled to be held on 12 June 2015. On 3 June 2015, the Tenant was notified by the Court that the Court had cancelled the meeting and expected the parties to proceed to trial directly. The Tenant will pursue its claims and defend against the Counterclaim vigorously.

3. IMPACT OF THE LITIGATION ON THE GROUP

The Tenant is still occupying the Premises and continues to operate its business on the Premises as at the date of this announcement. If a judgment is made against the Tenant in the Litigation and the Tenant needs to vacate the Premises, the Tenant will incorporate its operations on the Premises into the Self-owned Premises. The Company believes that such arrangement can allow the business currently carried out at the Premises to continue with minimal disruption and can minimise the costs and expenses of relocation. In addition to vacating the Premises, if the Court shall award the compensation claimed by the Landlord in the Counterclaim, a minimum of RMB47,488,000 as a fee for occupying the Premises during the period from 1 October 2014 up to 30 April 2015 will be payable by the Tenant. In this regard, approximately RMB34,000,000, being the difference between the compensation claimed and the rental expenses already accrued, will have to be recognised by the Company. Moreover, an additional fee will be payable in respect of the period from 1 May 2015 up to the date on which the Tenant has vacated the Premises. The amount of such fee is unknown as at the date of this announcement. Based on the information available to the board of directors of the Company (the “**Board**”) as at the date of this announcement and the Premises incorporation plan as described above and on the assumption that all the remedies sought by the Landlord under the Counterclaim will be granted by the Court, the Board is of the opinion that the Litigation will not have any material adverse impact on the business operation and financial position of the Group.

Shareholders, holders of the debt securities of the Company listed on the Hong Kong Stock Exchange and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
PARKSON RETAIL GROUP LIMITED
Tan Sri Cheng Heng Jem
Executive Director & Chairman

5 June 2015

As at the date of this announcement, the Executive Directors of the Company are Tan Sri Cheng Heng Jem and Mr. Chong Sui Hiong, the Non-executive Directors are Datuk Lee Kok Leong and Dato’ Dr. Hou Kok Chung and the Independent Non-executive Directors are Mr. Ko Tak Fai, Desmond, Mr. Yau Ming Kim, Robert and Dato’ Fu Ah Kiow.